

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 549 - SB 1355

February 27, 2009

SUMMARY OF BILL: Requires city and special school districts with a school district population of 10,000 or more students, of whom 75 percent or more are on free or reduced price lunch, to fund their school systems in accordance with the BEP maintenance of effort law. Prohibits such districts from directly or indirectly supplanting city operating funds that would otherwise go to the city or special school district with state BEP funds. Incorporates the use of an inflationary factor known as the government price deflator for the purpose of determining such districts required matching funds or maintenance of effort (MOE) test.

ESTIMATED FISCAL IMPACT:

Increase Local Expenditures - \$9,458,700*

Assumptions:

- The Memphis City School district will be the sole local education agency (LEA) affected by this bill. In the 2008-09 budget, the city of Memphis reduced funding to Memphis City Schools by approximately \$65,000,000. This bill will prohibit future cuts by the municipality and is an addition to the existing MOE law.
- Currently, the government price deflator (GPD) is incorporated into the overall BEP formula but is not used to determine the individual LEA required match rate for the purposes of the MOE test.
- The GPD is issued by the University of Tennessee's Center for Business and Economic Research and is currently 2.09 percent.
- The 2008-09 budget for Memphis City Schools is \$452,570,570. Using the GDP inflation rate of 2.09 will increase local government expenditures for the Memphis City School district by approximately \$9,458,725 (\$452,570,570 x 2.09%).
- MOE for other LEAs will not increase.

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**Article II, Section 24 of the Tennessee Constitution provides that: no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is fluid and cursive, with the first name "James" written in a smaller, more compact script than the last name "White".

James W. White, Executive Director

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